GoldSquawk

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High refinery runs are disguising tighter product balances

GoldSquawk Research

Key takeaways

- U.S. product inventories did build in the week to 20 November, with gasoline up 1.7 mb to 217.7 mb and distillates up 0.7 mb to 105.6 mb, but distillate stocks still sat 5.9% below the five-year average and 6.6 mb below a year earlier. Gasoline was only 3.7% above the five-year average.[1,2,3]
- The stock builds coincided with very high refinery activity. U.S. refinery crude inputs rose to 17.009 mb/d and utilisation reached 97.5%, well above the five-year average of 90.5%; EIA says utilisation averaged more than 95% from May through September, the highest for those months since 1998.[4,5,6]
- Refiners are not passively overproducing fuels: EIA says they have shifted production away from gasoline toward middle distillates and jet fuel because those margins have been especially strong, with jet yield above 12% from March through August.[7]
- The macro picture still points to tighter products than crude. The IEA said global oil supply moved back into surplus in 4Q26, but that 'severe tightness in product supply, especially for diesel, remains the overriding concern', while on-land inventories stayed at their lowest level since at least 2016.[8]
- External relief remains constrained. Russian refinery damage has disproportionately hit diesel exports, Gulf refined-product exports remain around half of pre-war levels, Chinese diesel exports are subdued, and a record three-quarters of LR2 product tankers are carrying crude instead, keeping clean-product freight elevated.[8,9,10,11]

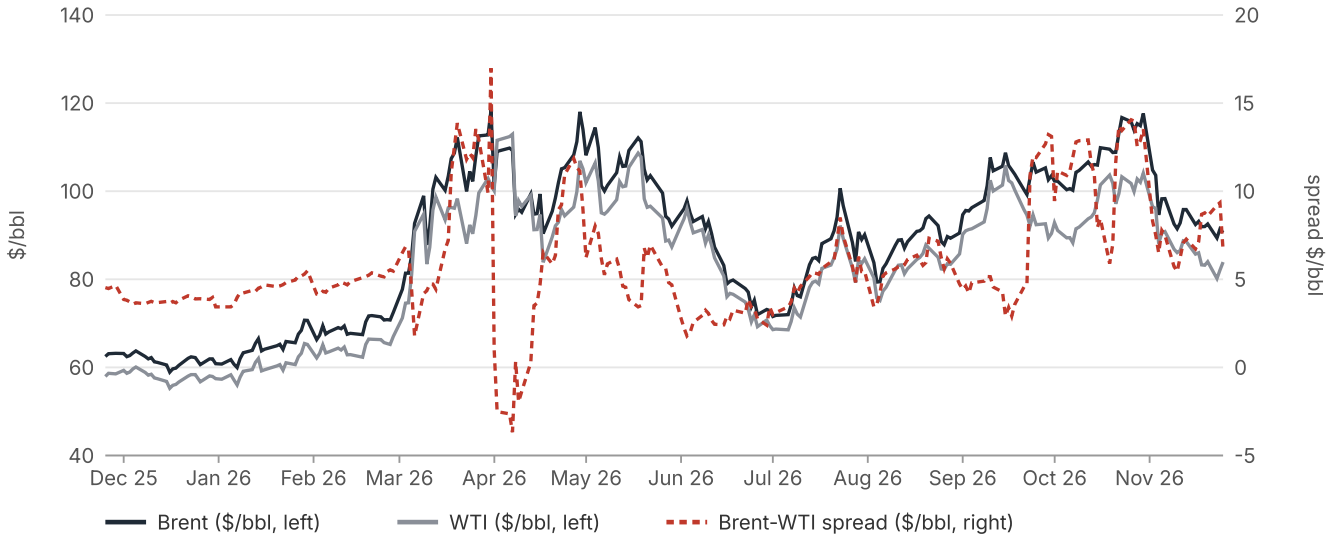
Weekly inventory builds look less bearish in context

- EIA's weekly data for the week to 20 November showed commercial crude stocks at 418.9 mb, up 1.1 mb week-on-week; gasoline at 217.7 mb, up 1.7 mb; and distillates at 105.6 mb, up 0.7 mb. On the surface that is a looser weekly print.[1,12,2,3]
- The more important signal is the level of cover rather than the weekly direction. Distillate inventories remained 6.6 mb below a year earlier and 5.9% below the five-year average, while gasoline stocks were 3.7% above the five-year average. GoldSquawk data also shows distillates sit near the bottom of their one-year range, at 19% of that range, despite three consecutive weekly rises.[1,3]
- Underlying disappearance does not point to a weak distillate market. Distillate product supplied was 3.917 mb/d in the latest week and 3.888 mb/d on a four-week average, versus 3.743 mb/d a year earlier; distillate exports were 1.307 mb/d in the week and 1.299 mb/d on a four-week average.[1]
- By contrast, finished motor gasoline product supplied averaged 8.770 mb/d over four weeks, broadly flat versus 8.789 mb/d in the corresponding 2025 period. That leaves distillate as the cleaner expression of tightness within the U.S. barrel.[1]

Refiners are running hard and tilting the barrel toward diesel and jet

- The latest U.S. stock builds came with refinery utilisation at 97.5%, up 1.8 points on the week and far above the five-year average of 90.5%. Crude inputs rose to 17.009 mb/d from 16.804 mb/d the previous week.[5,4]
- EIA said U.S. refinery utilisation averaged more than 95% of capacity from May through September 2026, the highest for those months since 1998, driven by tight global product supplies and especially diesel. EIA's STEO said refinery inputs averaged 16.6 mb/d in October, expected a similar level in November, and expected inputs to rise in December after maintenance.[6,13]
- EIA also notes that high utilisation usually leads to an increase in distillate inventories ahead of maintenance and peak distillate demand season because refineries co-produce gasoline and distillates. That makes autumn product builds a mechanical result of hard running as much as a demand signal.[6]
- Refiners have meanwhile shifted production away from gasoline toward middle distillates and jet fuel because margins for distillate fuel oil and jet fuel have been especially strong. EIA said gasoline yields fell significantly in 2026, while average jet fuel yield exceeded 12% for the first time in March and stayed at or above 12% through August.[7]
- The capacity cushion is also thinner than in prior cycles. EIA said refining capacity has fallen 4% since 2019, and STEO linked lower capacity in part to the closure of Valero's Benicia refinery in early 2026. So even visible stock rebuilding is happening with less installed capacity behind it.[6,13]

Figure 1: Brent-WTI spread remains positive as product and export frictions persist



Source: ICE Brent and NYMEX WTI front-month futures via Yahoo Finance; GoldSquawk calculations, as of 25 November 2026.

Global product constraints still matter more than crude loosening

- The IEA said global refinery runs fell 1.3 mb/d month-on-month to 81.3 mb/d in October and were forecast to rebound to 84.7 mb/d in December. It also said global oil supply moved back into surplus in 4Q26, but severe tightness in product supply, especially diesel, remained the overriding concern.[8]
- Observed global oil inventories rose by 52 mb in October, yet on-land stocks continued to fall and remained at their lowest level since at least 2016; OECD total stocks declined by 47 mb and industry inventories by 41 mb. This supports the idea that crude balances have loosened faster than usable fuel balances.[8]

- Supply disruptions are skewed toward diesel. The IEA said attacks on Russian energy infrastructure continued to choke off diesel supplies, while a GoldSquawk report said Russian diesel production was estimated to have fallen nearly 30% versus 2025 and seaborne gasoil and diesel exports averaged 4.7 mb/d in the first eight months of 2026, down 10% year-on-year.[8,9]
- The Gulf recovery has also been uneven: IEA said crude exports rose to 15 mb/d in October, or 82% of pre-war levels, while refined products and LPG exports remained at roughly half of pre-war levels. China has not fully filled that gap either, with November diesel exports preliminarily seen below 800,000 tons and domestic diesel stocks at 11.1 million tons, the lowest since Oilchem records began in 2011.[8,10]
- Freight is adding another layer of tightness. Bloomberg reported that a record three-quarters of LR2 product tankers were being used to ship crude, even after the fleet had grown 12% since January 2025, keeping clean-product transport costs elevated and limiting how quickly regional imbalances can clear. Brent closed at $90.57/bbl versus WTI at $83.92/bbl on 25 November, leaving the Brent-WTI spread at $6.65/bbl.[11]

Scenarios

- **Tight-products case:** Refinery utilisation stays very high, U.S. distillate exports remain near current levels, Chinese diesel exports stay subdued, and Russian or Gulf product disruptions persist. In that setting, rising visible stocks would still be consistent with a fuels complex that remains tighter than crude balances imply.[1,5,10,8,9]
- **Mask comes off on the downside:** Global refinery runs recover as the IEA expects, product shipping frictions ease, and weaker diesel demand in Europe proves more pronounced. That would make current inventory builds look less mechanical and more like genuine loosening in products.[8,11]
- **Operational squeeze returns:** If deferred maintenance or weather disrupts refining after a period of very high runs, the reduced U.S. capacity base could quickly tighten product balances again, especially in distillates where inventories are already below normal.[13,6,1]

Levels to watch

- WTI last close $83.92/bbl on 25 Nov 2026.
- WTI 200-day moving average $88.56/bbl.
- WTI 50-day moving average $92.88/bbl.
- WTI 52-week low $55.27/bbl.
- WTI 52-week high $112.95/bbl.

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Glossary

Distillates: Refined oil products including diesel and heating oil; often the tightest part of the barrel in industrial and freight markets.

Product supplied: An EIA demand proxy that measures disappearance of petroleum products into the market rather than direct end-use consumption.

Refinery utilisation: The share of operable refining capacity that is running; high utilisation usually means refiners are processing as much crude as practical.

Yield slate: The mix of products a refinery produces from each barrel of crude, such as gasoline, diesel and jet fuel.

LR2 tanker: A large product tanker typically used to carry refined fuels; if it shifts into crude service, clean-product freight can become tighter.

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